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Studies in Social Control Number 1

James Jupp

**Public Ownership  
- the Alternatives**

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## STUDIES IN SOCIAL CONTROL 1

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May, 1962.

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## INTRODUCTION

All socialists believe that some measures of collective ownership should replace private ownership and control over industry. The Australian Labor Party is pledged to the 'democratic socialisation of means of production, distribution and exchange'. So is the British Labour Party, under Clause Four of its constitution, adopted in 1918. An increasing number of political parties, for example the Indian Congress, have adopted this aim in varying forms. Even in capitalist nations like the United States, Germany or Italy, which have never had socialist governments, some degree of state ownership has been introduced. What is attempted in this pamphlet is a systematic inspection of various methods used as alternatives to private capitalism, the arguments for such an approach, and the obstacles, and solutions to those obstacles, presented by the Australian political system. Contrary to conservative claims, public ownership has operated successfully in many spheres. The outlining of such successes should help towards a better understanding of the whole question.

### Why nationalise?

The socialist belief in the desirability of collective ownership has a long history, which it is useful to review.

To the early socialists of the nineteenth century, 'property was theft'. The French socialist, Proudhon, who held this view, agreed with many others at the time that all property rightfully belonged to those who produced it. This, too, was the view of Marx, and continues up to 1918. The British Labour Party had, as its objective in that year, the securing to the worker of the full fruits of his labour, a similar aim to that of the Political Labor Council in Victoria.

The early socialists noted the divorce between ownership and work which the industrial revolution had brought. Whereas in previous centuries the majority owned or rented the land they worked, or were artisans in small workshops, the industrial system brought a major change. Hundreds, and eventually thousands, of workers were placed in one plant. They worked for wages, while the whole of their product belonged to their employer. Unlike the peasant, selling his own produce in the market, the worker had only one thing to sell, his labour. Everything he produced belonged to the capitalist. The factory owner lived by selling this produce, one important element in the cost of which was the workers' wages. Thus a conflict grew up between worker and employer, with the interests of both believed to be diametrically opposed.

Various solutions were put forward to solve this injustice, as the early socialists saw it. Robert Owen in England, favoured methods of co-operation, whereby the worker had some control over his product. Being himself a capitalist he puts this into operation in his own mills. It was partly from his inspiration that the consumer co-operative movement grew up in England in the early 1840's. Co-operative workshops were also established by Louis Blanc in France at the same time. But these methods of co-operation between masters and men were regarded as useless by the more revolutionary European socialists. Believing that property belonged to the producers, and had, therefore, been stolen from them, they argued that the producers must take the property back. The expropriators must be expropriated.

This was the position of Marx and Engels when they published the 'Communist Manifesto' in 1848. In later works, and especially in 'Capital', Marx elaborated this simple view into a complex analysis of the whole industrial system and the society which went with it. Marx argued that the capitalist system was the most advanced yet produced by mankind. It was the natural outcome of technological changes and was characterised by

the divorce of labour from ownership of the products or the workplace. The workers were 'proletarians,' who lived by selling their labour. Marx was in agreement with the earlier socialists, and with all later ones, in pointing to this central feature of the capitalist system. But he went much further. To him, the taking of ownership from the capitalist by the worker was not only just. It was inevitable if mankind was to progress. Marx believed that capitalism had come because industrialisation demanded the creation of large factories. He believed it would crumble as the workers in those factories became strong enough to demand the fruits of their labour.

Marx's argument in favour of socialism thus assumed a class struggle. All profit, in his view, was derived from wage labour. It was in the interest of the capitalist to keep wages down and hours up. He went further and held that in order to maintain profits the capitalists would have to depress wages still further. This view, which has been generally rejected since the German Marxist Bernstein questioned it in the 1890's, meant that the workers got poorer and poorer and larger and larger in numbers. They became so poor and numerous, that they rose against their masters and replaced capitalism by socialism. Marx further believed that such a replacement of private ownership would become necessary as industry demanded larger and larger units, beyond the capacity of the individual capitalist to finance and control. Marxists, then, believe there are three reasons for nationalisation; because it is morally justified, because it is historically inevitable, and because it is technologically inevitable.

Most socialists since Marx have accepted some of his views, especially as they were later elaborated by theoreticians of the German Social-Democratic Party. The Russian Bolsheviks under Lenin modified the theory in two respects. They held that the revolution was not possible without a rigid Party organisation to lead the workers. In particular they attacked the notion that socialist gains could ever be made through the trade union movement alone. They also believed that the workers of the West were not becoming poorer and poorer, because capitalism was now exploiting the colonies. Thus capitalism would not collapse first in Britain and Germany, but in the poorer countries like Russia and China. Another revision of Marxism was made by the German Bernstein under the influence of the English Fabians. He held that capitalism was a much more powerful system than socialists had thought. The main task of socialists should not be preparing for the revolution, but building a strong labour and trade union movement to effect changes for the benefit of the workers. Nationalisation should be supported because it would bring benefits to the community through more efficient operation. It took nearly forty years for the differences between Bernstein's position and that of Lenin to become fully established. Once they did they formed the basis of the division between socialists and communists. Socialists believe that society can be changed democratically, through political and industrial action. Communists favour more immediate revolutionary change, and have their greatest successes in the semi-colonial areas, as Lenin foresaw over fifty years ago.

The English Fabians, who influenced Bernstein so much, were less concerned with the early arguments for revolutionary expropriation of the capitalists. They thought that society gradually evolved from one form into another. Capitalism would become socialism by degrees, mainly because it was an inefficient system. Even so, the Fabians at the beginning of this century still agreed with other socialists that capitalism was stealing the fruits of the workers' efforts. The moral argument remained, but became secondary to the 'efficiency' approach. This held that capitalism had failed to produce a rational economic system. Competition was inefficient and wasteful and capital was only available for profitable enterprises, whether vital or not. Experience with gas, water, electricity and other municipal

services had taught the Fabians that the most rational provision of services was through planning and the creation of state or municipal monopolies. They were particularly in favour of the state providing social services on a wide scale, arguing again that uncontrolled capitalism had failed to provide for the needs of the sick, the old and the unemployed.

Through the Fabian influence on the British labour movement socialism began to be thought of in terms of social welfare and state owned industries, backed up by national planning. Just before and after the First World War, a new approach sprang up, based on militant trade unions. This was fairly short-lived, but has left its impression on those who want some kind of workers control. This was the movement known as 'syndicalism', which was strongest in France and later in Spain and South America. Syndicalists believed that the workers could only get the fruits of their labour if they themselves owned and operated the factories. It was no good giving power to the state as this would be operated by bureaucrats and politicians. Through the Industrial Workers of the World, this approach has been adopted to some extent in Australia by those who see the argument in favour of nationalisation as the benefits which this would bring directly to the workers in the particular industry.

In recent years the whole validity of arguments like the above has been challenged in socialist circles. As most countries now have some nationalised industry it became possible to make a more concrete assessment of its advantages and disadvantages. Some leaders, like Gaitskell in the British Labour Party, have doubted whether nationalisation has done anything to produce equality. They see no popular demand from the voters for further experiments in state ownership. In answer to this a further elaboration of the socialist case has been made in terms of power. Aneurin Bevan and others on the British Left saw the political power of the capitalist class as directly tied to their economic power. This is fairly close to the classical Marxist position. The Left believed that Labour could not make real changes to the British society while power rested with the capitalist class. Thus nationalisation was necessary, not merely to bring efficiency, but also to change the balance of political forces in the country. This argument becomes particularly valid where, as in Australia, basic industry is under the control of a small number of monopolies, some foreign owned.

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Socialists want nationalisation for various reasons. They want it because they find it morally obnoxious that the workers should have no say over the disposition of products made through their labour. They want it because they believe the capitalist system to be incapable of further economic or social progress. They want it because they find capitalist methods inefficient or unfair to the workers in particular industries. They want it to change the balance of power, whether in favour of political or industrial labour. They want it, particularly in Australia, to curb the power of monopoly. Not all socialists support all of these positions. In practice some of the views exclude others. But to be a socialist it is still necessary to subscribe to some of the views outlined above and to want further extension of the state into the economic field.

#### How to Nationalise (The International Scene)

Just as there are different reasons for wanting to change the basis of industrial ownership, so there are different ways of setting about the task. The communist method is to create a totalitarian political system and to use it to nationalise the great bulk of the economy. In Russia this took over seventeen years from the successful revolution. In Eastern Europe the period was nearer to seven years, though in agriculture some return to private ownership has been forced by peasant resistance in Poland, Hungary and Yugoslavia. In China the economy was completely under state

or communal direction roughly nine years after the fall of Peking. As the communist political system has been perfected, so the expropriation is speeded up. So far the method has only been used in two industrialised countries, East Germany and Czechoslovakia. In all communist states, with the partial exception of Poland and Yugoslavia (and there mainly in agriculture and village trading) collective ownership reaches down into the smallest concern. In most states it is forbidden to employ more than five people in an undertaking. Most forms of trading are either illegal, or, like collective farm trading in the Soviet Union, have been subject to quick changes in law. In all Communist countries the trade unions have functions defined by the state, which subsidises them, and in most cases, approves their officials and activities. Unions are branches of the social welfare agencies rather than industrial bodies as we know them. Forms of workers control have been abolished in all communist states except Yugoslavia.

The Communist method is inseparable from the political system. No wholesale nationalisation on such a scale has been carried out elsewhere, nor could it be. Resistance from capitalists would be strong enough. But as the communists have found it is resistance from the peasants which is most to be feared. Again, in Hungary in 1956, it was the industrial workers who rebelled against the system most fiercely, demanding workers control in the factories and the replacement of the government controlled unions. Thus the methods used in communist countries are quite inappropriate to democratic socialists. It is doubtful if the kind of society which social-democrats want could ever come from such political methods. It is also doubtful whether the workers and peasants benefit from such wholesale nationalisation, whatever they may get in social services. The main argument for wholesale nationalisation is that this increases productivity, especially in underdeveloped countries. However, this has so far proved true only in heavy industry. It is certainly not the case in consumer goods production or in agriculture.

Apart from the communist countries, varying degrees of state ownership have been achieved in most parts of the world. In Israel an interesting combination of state, co-operative and trade union ownership has been introduced in a completely democratic political system, under the general leadership of the democratic socialist Mapai. This diversification of ownership has produced some problems. But it has proved a very effective underpinning of the democratic system, in a nation constantly threatened by surrounding hostile countries. The system of ownership, which exists side by side with private capitalism, is complemented by an extensive welfare state, by redistributive taxation and wages policy. In a different way Sweden has applied socialism by democratic methods, though there has been a slowing down of state expansion in recent years. After thirty years of Social Democratic government, Sweden has a combination of government, municipal and co-operative ownership, together with a widespread social security system, including a national health service.

In nearly all countries of the world the railway system is state owned. In the United States refusal to consider nationalisation has caused various problems for the railway systems, which have dismantled much of their permanent way. Throughout Europe road and rail transport is co-ordinated, though in Britain the steps in this direction taken by the Labour government have been reversed by the Conservatives. It is the normal condition in Europe for transport, gas, and electricity to be nationally or municipally owned, as they are for the most part in Australia too. Even in countries like Eire, where there is no truly socialist movement, the entire road, rail and air transport systems, hydro-electricity and power production from peat are all government managed. It is only in the United States that much



of this kind of activity is still privately owned. Even there the Tennessee Valley Authority and similar major multi-purpose projects show the importance of government intervention in the economy. Apart from direct government ownership it should be mentioned that in the U.S.A., France, and, to a lesser extent, other European countries, agriculture receives heavy government subsidies, guaranteed prices and other forms of support.

Apart from such public utility services, there are important fields of government endeavour in the industrial field. In Britain the coal industry, the fourth largest in the world, has been nationalised for fifteen years. The steel industry was briefly nationalised in 1950. The Italian cigarette industry, part of the French motor industry, assorted industries in most advanced countries are under government ownership. In the less developed countries there has been a spate of nationalisation since 1945. As early as 1936 the Mexicans nationalised their oil industry, and this has been followed by Iran, Iraq and Egypt. Government development corporations handle projects from Ghana to India. National planning is widely accepted throughout Asia and Africa as the only way to get any rational development in living standards. The underdeveloped countries are thus moving in a socialist direction by nationalising their natural resources, by national planning and the controlled allocation of resources and investment.

There is today nothing experimental about nationalisation. What is still controversial is the extent to which government ownership should be pushed into productive manufacturing and the methods which should be used to manage and control collectively owned concerns. Socialists hold that the basic industries of a country should be under government control and that there should be planning and control of the economy. Here they do not differ from most governments, outside of a small group of nations like the U.S.A., Japan and West Germany. Even the conservative leaders of Britain, Australia, France or Italy are prepared to go along with some measure of government intervention. Where the argument begins is on the extent of that intervention and on its aims. Whether efficiency is the main objective, or whether social change is just as necessary, is an important dividing line between socialists and others at present.

#### How to Nationalise. (The Public Corporation with a Monopoly).

A common method of nationalisation, especially for service industries, has been the public corporation with a monopoly. This functions like a private corporation, in that it is free from detailed government supervision, but is bound by parliamentary statutes. This was the method used by the British Labour Party between 1945 and 1950, and is still the basic form of the British nationalised industries. While the public corporation had long been used in Australia and elsewhere, the fullest debate on its relevance for socialism took place in the British Labour Party in the 1930's. The monopolistic public corporation was advanced by Herbert Morrison on the basis of his experience in the re-organisation of London passenger transport. The British Broadcasting Corporation was already in being, and was joined in 1933 by the London Passenger Transport Board. Both had legally guaranteed monopolies in their respective fields, were governed by parliamentary statute, and had boards appointed by the government. In management and financing they were similar to private corporations, in that they were expected to show a profit or at least to break even. The B.B.C. was, of course, financed from government imposed levies (i.e. radio licenses) the L.P.T.B. from fares. Morrison gained acceptance for the public corporation and after 1945 this was the method used in coal, gas, electricity, rail and road transport, civil aviation and atomic energy. The monopolistic public corporation has also been used as a form in Australia, the Victorian Gas and Fuel Corporation and State Electricity Commission being examples.

The arguments in favour of the public corporation were that it avoided the interference of politicians and public servants in running business enterprise, gave ultimate government control and ended the waste and overlapping connected with competition. It was widely held by management experts that the civil service approach would inhibit initiative, and that political interference would lead to incompetence and corruption. To avoid this the public corporation has no direct connection with the public service, recruiting and managing its own staffs. It is not subject to parliamentary questioning about its every day affairs, although it submits an annual report to parliament. It is expected to be self-financing, although the raising of large capital amounts through loan is normally subject to government approval. In some cases the alteration of charges or fares is also subject to government approval, although this comes close to breaking the basic principle that the corporation should be as independent as possible.

The government retains control over the corporation in that it has the power to appoint all the directors. Thus no private interest can buy its way into the board, as is common with private corporations. The "shareholders" have no more voting rights than any other holders of government bonds.

The organisation of the corporation can be changed by act of parliament, and this has been done with the Commonwealth Bank on several occasions. By retaining the right to approve heavy capital expenditure, and by guaranteeing losses, the government can direct resources towards or away from a public corporation in a way which is impossible with the private company without an overall investment control of the entire economy.

The public corporations have quite a good record of business efficiency in the main, though conscious attempts to hamper them have been made by the British Conservatives in recent years. This has taken the form of breaking their monopoly in lucrative fields, as with civil aviation, or by limiting their rights to borrow. Some assets, for example the truck fleet of the Transport Commission, have been sold back to private enterprise. The policy of the Menzies Government towards civil aviation is of the same order. There are two main attacks on the public corporation, one from the Right, one from the Left. From the Right it is held that the preservation of a legal monopoly leads to inefficiency. While the government does not normally subsidise corporations it does guarantee their losses, though legally entitled to ensure that they break even over a period. But, of course, the public corporations are actually competing with other industries, though not competing within an industry. Gas and electricity are in open competition, railways are in competition with road transport, civil airlines with foreign companies and so on. Conservative governments all over the world have, in fact, found the public corporation to be a suitable mechanism for managing services and industries, but they have a tendency to restrict them to unprofitable fields.

The Leftwing attack on public corporations is centred on the proposition that they do not alter the nature of industrial relations or the class structure as a whole. Management is, if anything, stronger in the public corporation than in many private firms. Attempts have been made to encourage unionists to take some part in joint consultation, particularly by the British National Coal Board. But there is nothing approaching real 'workers control', and this is, in fact, specifically excluded by most who support the public corporation. One answer to this kind of attack is that parliament does retain ultimate control over the set-up of the corporation and a Labour majority could in fact change its basis at any time. Indeed, in the light of recent thinking, it seems that any further nationalisation along the monopoly corporation lines, will include closer supervision of the corporation's affairs, and particularly of its financial policies.

### **The public corporation without a monopoly.**

Much that has been said above applies to the creation of government owned companies which do not enjoy a legal monopoly. This is a very common form in Australia and includes the Australian Broadcasting Commission, the Australian National Airlines Commission (T.A.A.), the Melbourne and Metropolitan Tramways Board and many others at Commonwealth and State level.

For constitutional and political reasons it has been the practice in Australia to allow private companies to compete alongside these corporations. This leads to the dangerous possibility, as in civil aviation, of a conservative government allowing private enterprise to have advantages in profitable fields. But the British type of monopoly corporation has not proved effective against this either, although it does involve parliamentary action. The non-monopolistic corporation is even more subject to the Leftwing criticism that it is just like a private company in its relations with workers and consumers. In Australia one of two things has happened to such corporations, both making them unattractive models to the voter. Either they have become quite indistinguishable from the private firms with which they compete, or they have been saddled with debts and burdens until all morale and public faith has gone.

The public corporation is obviously a very efficient and painless way of nationalising but with certain drawbacks for the socialist. Australian industry, being very monopolistic, is obviously ripe for the setting up of public corporations replacing B.H.P., C.S.R., A.P.M. and other private corporations. At present this could only be achieved, for financial reasons, by the Commonwealth government, and then only after at least two constitutional amendments. One great advantage of such a method is that the change-over in ownership could be made with the minimum of upheaval in management. In Britain the steel industry attempted to resist nationalisation by refusing to allow managers to take positions on the nationalised board. Private monopolies could do the same here. But a government with a large enough majority, and with the constitutional power behind it, could probably force the issue. In any case, few of the professional managerial staffs would be likely to boycott a public corporation which would in most essentials be very similar to the company with which they already worked.

Once created, the public corporation, with or without a monopoly, would be subject to some experimentation. This could include the writing in of joint consultation or 'workers participation' clauses in the statute, the strict control of capital expenditure, training schemes for managers from the ranks. But the corporation should not be regarded, as so many have been at the state level, as a political football. This puts an obligation on the A.L.P. no less than on the conservatives. The much larger question, of whether a change in ownership will mean a change in the social structure, needs the passage of time to clarify it. If there are improved chances for the workers in industry to advance and to protect their interest, if private capital has no controlling power over the board and if Labor has a long enough period of office to consolidate the corporations as a going concern, then there should be a long-run shift of political and economic power. Despite all these qualifications it is difficult to see large scale, monopolistic industries being run by any other method at present.....

### **Direct government administration**

A method of nationalisation widely used in communist countries, and normal for railway administration in many states, is to place an industry directly under the control of a government department. This means that it is broadly subject to normal public service methods, is fairly tightly con-

trolled by a minister, and is mainly financed from government revenue. The Post-master General's Department could be considered in this category, together with State railway and transport administrations. There is an overlap with the public corporation to some extent as few industries are run directly by a government department as such, railway systems being mostly under a commission. But the difference lies in the degree of detailed government control, financial responsibility and answerability to parliament. The criticism of direct control is that it leads to bureaucratic administration, to inefficiency and to political interference. Such attacks have led to a degree of decentralisation in the Soviet Union in recent years, and to the popularity of the public corporation in other countries.

In some ways direct government control is more acceptable to socialists, in that it allows of detailed planning and constant supervision. It also lays the industry open to control by a majority socialist party in parliament. But what has happened in the past is the successive penalisation or feather-bedding of government concerns until they earn the evil reputation of most Australian railways as having no financial future, no worker morale and very bureaucratic control. This only brings nationalisation into disrepute. Of course with a higher calibre of politician or public servant some of these criticisms could be answered. Possibly the Commonwealth Government would be more suitable in this respect than State governments, who have the longest record in this field. But again, the problem of worker-management relationships are unanswered. Unless the unions, acting through the socialist parliamentarians, keep a constant vigilance on the department concerned, they find their members are no better off than in private industry.

While State governments do not have a very good record in direct government management, they have been instrumental in setting up a whole host of regulatory boards and agencies which control industries without owning them. Transport licensing, egg marketing, fishing, coal, to name only a few, have been successfully regulated by agencies set up by State governments, often after the failure of attempts at direct control. Such boards usually contain representatives of interests who are normally nominated by the government department concerned but are sometimes elected. Again, they are rather closer to the public corporation notion than to that of direct government control. One of their failings is a tendency to act for producers against consumers. In a perfect world direct control would be a more effective method of shaping industry in a socialist direction. This was its justification in the Soviet Union, where it has been admitted to be of dubious value. But in a democratic political system, subject to many pressures, direct administration probably leads to too much political playing about with industries to make it a very satisfactory method.

### **Government shares in industry**

A limited form of nationalisation, which has been used in most capitalist countries, is for the government to buy shares in industry. This may have two objects, indirect control or simply the return of a profit to the government rather than to private individuals. This practice was common under the Chifley government, though most of the shares have since been resold to private enterprise. The British government has a half-share in British Petroleum, while the French and Italian governments have interests in petrol and a wide range of other industries. The leader of the British Labour Party, Mr. Gaitskell, has put forward the buying of shares as a method of diminishing class differences, which he argues, have been virtually untouched by the public corporation method. From a socialist viewpoint it seems very desirable that governments should so act, if only to ensure a return to the taxpayer rather than the shareholder. But unless ultimate control is aimed

at, little difference will be made to the functioning of the industry or, one suspects, to the social system either. Non-government directors can easily combine against government nominees on the board, and these are not necessarily socialist in sympathy or direction anyway.

Government share-buying is very restricted as a means of moving towards nationalisation, but it is painless if allowed to continue. Unfortunately experience shows that conservative governments are only too ready to dispose of shares, while private shareholders may combine to prevent a government majority of holdings or board members. Nevertheless, as a means of financing social services or other costly expansions of government functions, the buying of shares in profitable concerns is highly desirable. It must always be borne in mind, of course, that such activity does not usually alter the management structure of the firm or in any way distinguish it from other private companies.

### **Municipal ownership**

The British Fabians were pioneers of 'gas and water' socialism. Through their work on the London County Council they came to realise that municipalities could operate a range of services which were incompetently run under private enterprise. In Northern Europe the municipal ownership of concerns is now quite widespread. In Sweden, for example, all rented housing is municipally owned, as is most of the land in the centre of Swedish and German cities. Nearly all urban passenger transport is municipally owned throughout Britain and Europe. Apart from the provision of normal services like garbage collection, libraries or street lighting, European municipalities manage markets, theatres, shops and a whole range of small scale industries. British authorities control education.

Municipal ownership is a very satisfactory way of extending public control provided it is backed up by a good administration and political system. The normal method of control is through a committee of elected councillors together with an administrative department under their guidance. Thus some of the weaknesses of direct government ownership are present, though countered by the much closer relations between city councillors, voters and the local party. In Australia municipal government has always proved too poor and incompetent to manage very much. In New South Wales the county councils handle electricity distribution. Only in Brisbane and Tasmania is transport municipally controlled. Without the kind of reorganisation which has taken place in Brisbane and New South Wales, there is no immediate prospect of local authorities undertaking any of the activities common in Europe. Most of these are now under State government control. Where Australia could learn is in translating European municipal methods to State administrations. Only in the capital cities, and then through reorganisation, would it be possible to expand municipal ownership here.

### **Co-operative ownership**

There are various methods of collective ownership which need not involve political authorities at all. None the less, provided they take ownership from private hands and allot it to a collective, they can be considered legitimate socialist forms. Some would argue that non-governmental forms are essential if we are to avoid a centralised state which would restrict initiative. Some forms of collective ownership can be purely voluntary, others may need political backing. But all are of interest in varying the forms of social control of the economic sphere.

Co-operative ownership may have various forms. Its most widespread and best-known manifestation is consumer co-operation. This movement

began in Rochdale, England in 1844 and now embraces organisations spread throughout the world. Principles vary from place to place but the basic notion is that the co-operative shops belong to those who shop in them. Thus members have the right to elect the management and receive a proportion of the profit, usually related to their amount of purchases during the year. Starting from small beginnings co-operatives have built up in just over a century to controlling about one-fifth of all retail trade in Britain and important proportions in Israel, Sweden and other nations. Ideally the co-operative has no link with government at all, being an independent, self-governing, self-financing body.

Consumer co-operation is then, an important method of collectivising retail trade in Britain and elsewhere. There has also grown up a manufacturing and wholesaling organisation to supply the stores such that many groceries and other provisions are produced by the co-operatives themselves. There have been some criticisms of co-operation, both from the standpoint of efficiency and socialism. Some argue that co-operatives have trouble in raising capital and in finding good managers because of their basis in self-help. It is often the case in underdeveloped nations, and would be in Australia where the movement is very weak, that public financing and aid to co-operatives would prove essential if they are to compete with chain-stores. From a socialist standpoint the larger co-operatives have had some difficulties with their labour force, who do not enjoy the same representative powers as the consumers. Nevertheless co-operative assistants have always been much more efficiently unionised than private shop assistants. If consumer co-operation is to be expanded in Australia, these weaknesses will have to be borne in mind. Government aid will also be necessary.

Other kinds of co-operative are producer co-operatives and agricultural co-operatives. The former are industrial undertakings which are managed on a profit sharing basis by the workers within them. They are, therefore, a functioning example of 'workers control.' Often, but not necessarily, attached to the consumer movement, such co-operatives show that in single unit undertakings at least, there is no practical reason why workers should not manage their own affairs and run a profitable business. Once again there are problems of capitalisation and management which might require government help in countries like Australia with no tradition of such undertakings. Agricultural co-operatives are functioning successfully here for the purchase of machinery and the sale of products, while individual producers come together for processing, especially of butter. They are an adjunct to private farming but can still be regarded as a form of collective activity. Actual farming co-operatives, with communal land working, which are found in Israel and Yugoslavia, are more appropriate for peasant countries where family plots are not large enough for efficient operation. State farms, with managers appointed by a government department or corporation, seem much more feasible in Australia where some already exist. Co-operative land operation might be practicable in market gardening or intensive cultivation.

### **Workers Control**

Many words have been written on the subject of 'workers control.' All I intend to do here is to inspect various attempts to give workers control or ownership of their industries, or participation in its management or the distribution of its profits. These are essentially four quite different things. But they all stem from the basic socialist notion that capitalist industrialisation took away from the worker the disposition of his products and left him only with his labour to sell. Thus Marxists, syndicalists, Owenite co-operators and Catholics (inspired by "Rerum Novarum" of 1891) all want to see some method of giving control over his work and livelihood back to the worker.

The syndicalist notion of worker-ownership should be looked at first, as it is the most far-reaching. Here the factories are given to the workers. The producer co-operative, looked at above, is the only functioning version of this, though it is confined to small groups of skilled workers in trades like printing. Factories with large numbers of semi-skilled and unskilled workers have been put under workers ownership during revolutions. In Russia in 1918, in Italy in 1922 and in Spain in 1936 there were brief experiments in conditions of political chaos. Opinions vary as to the efficacy of such schemes. But in all cases they were quickly suppressed and replaced by very authoritarian management method. Three major difficulties face the notion of workers ownership. Firstly the problems of management in large scale industry are beyond the grasp of the untrained. Secondly there is no guarantee that a worker owned concern will consider the consumer in price fixing any more than a capitalist owner. Thirdly there is strong opposition to such notions among established trade unions, who have no further function if the factories are actually run by the workers themselves. One might add a fourth in Australia, and that is that there is not the slightest indication at present that any section of the working class has the desire to own and run the undertakings in which it works.

Worker-ownership does not solve problems of efficient management, nor does it fit into the concept of national planning adopted by most socialists. Nevertheless, some modified form of worker participation is desired by many socialists, by some unionists and even by a small minority of managers. Such participation ranges all the way from the workers councils found in Yugoslavia down to the suggestion box found in the canteen of many large undertakings. There is scope for such participation both in private and nationalised concerns. In the latter of course it is possible to enforce participation by law. But in West Germany extensive schemes of worker participation have been found to work in the privately owned coal and steel industries.

There is little room here for a full discussion of workers participation in all its forms. In Yugoslavia a fair degree of workers control seems to have been established, though under an undemocratic political system with no established trade unions and a peasant tradition of collective action. With national and local planning together with a legalised system of complete public ownership, the Yugoslav system seems to give the workers a definite say in the everyday running of their plants and the disposition of some of the profits. Most Yugoslav industry is on a small to medium scale but tribute must still be paid to this attempt to diversify an authoritarian system by encouraging local initiative.

In West Germany and France there have been extensive experiments with worker participation. The co-determination method in Germany guarantees workers a set number of places on the board of directors. In Britain the nationalised boards usually contain one or two former trade union officials, and both the Coal Board and the Electricity Commission have been headed by such appointees with great success. But the only real measure of actual worker participation is through joint consultation, the legal provision that management decisions affecting wages or conditions can only be made after conferences with the unions concerned. Both the appointment of unionists and provision for consultation are found in some corporations in Australia, but in others the relationship between workers and management is, if anything, worse than in private enterprise. As a starting point in any reorganisation of industry it seems highly desirable that legalised joint consultation should be established for all concerns, whether public or private. This does not answer the need for direct worker

participation, but it avoids the extremes of arbitrary management.

Profit-sharing and co-partnership schemes have become very fashionable in many concerns in recent years, partly as an answer to socialist propaganda. Under such schemes the workers receive a dividend at the end of the year corresponding to the amount of profit made by the company. This is usually only a small amount but in some firms workers may increase their share by buying into the company. Co-partnership sometimes entitles the workers to representatives at various levels of decision-making. Unfortunately many such schemes have fallen into disrepute because they are so clearly meant to assuage demands for nationalisation, and have often been used to combat trade union influence as well. Bonus and incentive payments become a form of piece-work unless they are paid equally to all, and can always be used in wage negotiations by the management as a reason for resisting increases.

#### Ownership by Other Public Bodies.

A final form of public ownership which is quite widespread is the purchase and control of concerns by public bodies. Here again the element of private capital is removed, though the firm may be run in exactly the same way as any other private concern. It should be remembered that throughout West society an increasing proportion of capital of corporations is coming from banks, insurance companies, unit trusts or other corporations. By nationalising these the government would straight away be buying into ownership and control of many major industries. It is this reason above all others which makes the nationalisation of banking and insurance so vital to the real spread of collective ownership.

Ownership of a company by another public body can be viewed as a form of government share-buying, if the public body is government owned. Thus much the same arguments would apply to a company controlled by a government bank or insurance company as to a company like British Petroleum. Unless the controlling public body was consciously aimed in a socialist direction there would be no difference to the running of the companies it owned. The same is true of ancillaries to public corporations. Nevertheless corporations should be encouraged by socialist governments to extend their ownership into ancillary fields or even beyond them. Railways should own hotels, buses or trucks, electricity corporations should buy up electrical appliance firms, with government financial help if necessary. There is no reason why publicly owned enterprises should not spread their control as far and as rapidly as private corporations. In many industries such vertical integration is essential to efficient operation.

Apart from ownership of firms by government agencies there is some scope for ownership by public bodies. Universities already own printing and publishing concerns and there is no compelling reason why they should not branch out into property and other forms of commercial activity commonly found among United States colleges. Profit going into education is more desirable to a socialist than profit going into private hands. A form of ownership which should interest the labour movement is the management and ownership of firms by trade unions. Apart from usually abortive printing and publishing concerns most Australian unions do not even own property. Yet most major unions of Europe and America have invested their surpluses in various enterprises. They have not gone so far as the Israeli Histadruth which owns a whole series of concerns and is perhaps a better model for socialists. So long as unions are prepared to employ competent managers they can only increase their members' assets in this way. The objection could be raised that unions should not become employers and



there are, of course, difficulties here. But again there should be more scope for enlightened management in a union-owned concern than in one under private control. Whether a union should become too deeply involved in firms in its own trade is a matter of some doubt, though many American unions have actually invested in firms covering their members and think this gives them a better bargaining power with the employers.

#### **The Legal and Constitutional Background in Australia**

I have tried to suggest above that there is enormous scope for a diversified system of public ownership in a democratic society. Such a system depends first of all on a socialist party gaining and retaining office with the support of the electorate. The management of nationalised concerns is mainly a technical matter. Their creation and maintenance is political. But assuming that the political conditions for the spread of public ownership exists, Australia presents some difficulties which cannot be tackled by looking at other countries. We have a federal, and in many ways very conservative, political system. It has long been the policy of the A.L.P. to unify the system, which would make not only nationalisation but even basic planning much easier. For this reason the conservative forces in Australia defend every aspect of the federal system and every conservative institution. In particular they regard section 92 of the Constitution as an essential legal bastion against nationalisation or government control.

Section 92 lays down that 'trade, commerce and intercourse among the States . . . shall be absolutely free'. This originally meant that no inter-State tariffs could be charged. But since the attempt to nationalise banking under Chifley it has been seen as forbidding the compulsory acquisition of any entity engaged in activity extending beyond a state border. As this covers any undertaking of any size it can be seen as a very serious obstacle. Only the Commonwealth Government has the financial power to take over large concerns. Section 92 aside it has the legal power over banking (s. 51 xiii) and insurance (s. 51 xiv). Of great potential significance, under s. 51 xx, it can make laws in respect of 'foreign corporations, and trading or financial corporations formed within the limits of the Commonwealth.' The Commonwealth may, therefore, set up corporations in competition with private enterprise, as with T.A.A., but may not create a corporation with a legal monopoly. As the major concerns listed in the nationalisation planks of the A.L.P. platform are already monopolies, it would be economically very difficult to create rivals, and rather pointless.

A number of evasions of sec. 92 have been suggested, but they seem doubtful. While it would be technically possible to give enough money to a state government to purchase a concern, this would have to be done in all states. Section 99 prohibits the Commonwealth from giving 'preference to one State'. Thus only if all State governments were under A.L.P. control, which has never happened, would it be possible for them to be used as agencies for nationalisation. The Commonwealth could conceivably grant large sums to all States, knowing that only some would use it for the purpose desired. But this would produce political unrest if it meant, for example, depriving a State's education system in order to buy out its branch of B.H.P.

If the obstacle of section 92 were removed by referendum, which seems a necessary precondition for effective nationalisation, there is a further possible obstacle in section 51 xxxi which allows the purchase of property on 'just terms'. American experience shows that any such phrase can be interpreted as an absolute guarantee of private enterprise. Similarly any attempt by the A.L.P. to write a 'Bill of Rights' into the Constitution as desired by Dr. Evatt, would make a ready weapon against nationalisation in

the hands of future conservatives. Already, in writing the words 'so as not to authorise any form of civil conscription', into the social services amendment of 1946, the Chifley government has made it extremely difficult to introduce any compulsory national health service. The removal of section 92 and section 51 xxxi, or their amendment, should be a first task of any majority A.L.P. government, preferably while public opinion is still strong enough behind it to carry a referendum.

Apart from the creation of Commonwealth owned public corporations there is room at the State level for extensions of public ownership of the various kinds I have outlined. At present the States are not financially strong enough to undertake much in this direction. The public undertakings which they own usually produce in total a net loss, which is, of course, mainly a reflection of the transport deficits. It would be to the ultimate advantage of the State governments to buy into profitable concerns, even if they were not prepared to take them over completely. But this would need Commonwealth subsidies of some sort. Again, the State, through its Company Acts, would have the prime responsibility in legislating for any introduction of workers control. It could also encourage consumer co-operatives, as it has 'housing co-operatives', and expand its existing public undertakings into other fields. State hire-purchase concerns, banks and insurance companies are quite valuable instruments in this respect, provided governments have the initiative and courage to use them.

In the State sphere the main obstacles are financial and constitutional. The existence of conservative upper houses is a constitutional obstacle in four States and their abolition or control depends on the electoral following for the A.L.P. in the particular state. It is possible that the smaller States may not be able to provide the administrative machine necessary for extensive public ownership, but the already widespread public enterprises in Tasmania, South Australia and Western Australia suggest that this is not such a serious obstacle as all that. Assuming that a unitary system is not immediately feasible, much of the initiative in changing the basis of industrial ownership must rest with the Commonwealth. But State governments should be encouraged to come into the field by subsidy if possible. State housing for example, could be increased in scope by direct Federal initiative under the Commonwealth-State housing agreement, and the purchase of land could be encouraged as an ancillary aspect of this.

The political and organisational forms of public ownership are very varied and it would be a mistake to concentrate on one form only. It may be found that a certain combination of methods would circumvent the existing constitutional obstacles. This seems unlikely, but should be explored to the full. Ultimately the fate of public ownership in Australia rests squarely with the A.L.P. If it really desires an extension in this field it must fight it through as a political campaign, telling the voter what it proposes and why. If this only persuades the electorate to abolish section 92 it will be well worth it.

#### **Conclusions**

Nationalisation in itself is now a universally accepted technique for owning and managing basic industries and services. To the extent it is now practised in Australia, it does not necessarily alter the social structure of the country very much nor even the social relations within industry. The public corporation is usually managed along conventional lines, even when introduced by socialist governments. Where nationalisation does begin to affect social relations is when it is expanded into profitable manufacturing fields, or when it is accompanied by experiments in worker-management relations. Then it becomes the subject of bitter political controversy such as surrounded the Chifley bank legislation or the British steel nationalisation.

There are a number of practical reasons for favouring extended government ownership. These have nothing directly to do with the classical theories of socialism, except in so far as socialism is interested in expanding the economy. Some basic industries have difficulty in attracting capital, a problem which can be overcome if government revenues are redirected towards them or if the government guarantees their financial stability. This can also be done through investment control over industry as a whole but there are complications in such a policy which make it hard to operate. Industries can also be located in chosen areas, as an aid to decentralisation or national development. Again incentives or location of industry laws may effect similar policies, but they are always subject to evasion or distortion in favour of particular concerns. Any government subsidy for a profit-making concern is, in one sense, a misuse of public money, while aid to an unsuccessful business encourages feather-bedding and incompetence. The main argument for such practices is political rather than economic. Conservative government would rather leave concerns in private hands than create the precedent of nationalising them.

In Australia there is an argument in favour of nationalising highly efficient corporations simply because they monopolise a major industry. At the very least it seems quite possible to impose an obligation on foreign firms to open their share lists to local residents. This is insisted upon by the Indian government to the extent of an equal holding by Indian citizens. The Australian government should be free to buy into profitable foreign corporations, if it does not consider it appropriate to nationalise them. For defence reasons alone there should be some government participation in the steel and motor trades. State governments would be helped out of their road and transport problems if they could benefit from the capital gains of the private corporations which profit from the services they provide. Taxation on corporations, which is still lower here than in the U.S.A., is not nearly as effective as direct ownership in a rapidly improving asset.

Whether a government nationalises, buys into firms, or simply taxes or controls them, is largely a matter of practical politics and economics. Socialists wish to go further, in that they regard social ownership as a method of altering the balance of social forces within the community. Again, a great deal can be done through redistributive taxation, social services and labour legislation to improve the relative position of the working class. A nationalisation programme which is not backed up by such measures will not immediately change the social situation in the least. Yet it is also becoming apparent that a social welfare programme which is not backed up by changes in ownership and control of the economy is only ameliorative, not remedial. An expanding capitalist economy destroys the value of social services and inflates the value of capital assets with startling rapidity. The social gap in England, with its extensive nationalisation and social services, has widened considerably after ten years of Conservative government. In Australia, too, it has taken the present rise in unemployment to show us how fragile is the protection offered to the underprivileged by our society.

Social welfare, nationalisation, increased productivity and planned development must all be interrelated by any government which is serious about social improvement. One without the other does not achieve very much in the long run. But the argument for public ownership goes beyond improved material provision, important though that is. It must be a method of changing the status of the worker within industry, of redirecting profit from private to public hands and of lessening community dependence on the profit-oriented decisions of a minority. Otherwise the labour movement will become bogged down in a series of half-executed and ultimately futile manoeuvres around the fringe of Australian society.